

Oakwood Properties, Inc.
P.O. Box 5600
Rockville, Maryland 20855

May 26, 2023

Via Email

Mr. Evan Glass, Council President
And Members of the County Council
Council Office Building
100 Maryland Avenue, 4th Floor
Rockville, MD 20850

Re: March 28, 2023 County Council Public Hearing (Council Bill Nos. 15-23 and 16-23); Oakwood Properties Written Comments

Dear Council President Glass and Councilmembers,

On behalf of Oakwood Properties, Inc. (“Oakwood”), I am submitting these comments to Council Bill No. 15-23 (the “Anti Rent Gouging Protections Act”) and Council Bill No. 16-23 (the “HOME Act”). Oakwood is the owner and developer of the Churchill Senior Living project, which is comprised of three (3) parcels of land totaling approximately 5.49 acres addressed as 20990, 21000, and 21010 Father Hurley Boulevard in Germantown (the “Property” or “Churchill Senior Living”).

In general, Oakwood’s position is that any form of rent control is not the solution to creating more affordable housing, and that both of the proposed bills are problematic. As evidenced by economic analyses of other jurisdictions that adopted rent control measures, these jurisdictions have experienced negative impacts in the form of decreased reinvestment in properties and a declining quality of housing stock. As a result, the HOME Act will discourage reinvestment in existing housing and production of new housing and should not move forward. Further, the Anti Rent Gouging Protections Act should be modified to exempt market-rate units, that are thirty years old or less, in development projects with a minimum of 30% of dwelling units subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low- and moderate-income tenants.

The Property is currently improved with Phases I and II of the Churchill Senior Living project, which includes 255 independent dwelling units for seniors (62 years and up). Approximately 243 of these senior dwelling units were constructed under the County’s Moderately Priced Dwelling Unit (MPDU) program or under a separate binding agreement that limits for at least 15 years the price or rent charged for the unit in order to make the unit affordable to households earning less than 60% of the area median income (sometimes referred to as low- to moderate-income tax credit units). As a result, **approximately 95% of the existing dwelling units at Churchill Senior Living constitute affordable units.** Oakwood obtained a Sketch Plan approval in November of 2022 that allows for Phase III of Churchill Senior Living, which would include up to 280 independent dwelling units for seniors (including additional regulated affordable housing units).

Bill No. 16-23 (HOME Act)

The HOME Act represents a fundamentally flawed policy because it does not account for underlying economic realities and capital markets that are necessary for property owners: (a) to reinvest in multi-family communities through capital improvements; and (b) to produce new housing through redevelopment. The creation of a 3% cap on annual rent increases for occupied units will severely limit the supply of housing stock in the County as property owners will be unable to achieve a rate of return that makes reinvestment and redevelopment economically viable. Notwithstanding the fact there are presently heightened construction costs and limited opportunities for construction financing on projects in the County, the HOME Act would render many projects infeasible where market conditions are strong. Limiting the rent growth on many multi-family dwelling units that have been occupied for more than 10 years will also compromise financing that did not assume such rent limits, which will in turn discourage reinvestment in existing communities. The HOME Act also fails to exempt dwelling units subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low- and moderate-income tenants. All MPDUs (regardless of when they were constructed) and low- to moderate-income tax credit units need to be exempt from the rent controls proposed to avoid creating inconsistencies with the underlying regulatory agreements that apply to projects.

In summary, Oakwood submits that adoption of the HOME Act will significantly discourage property owners from improving existing apartment communities and producing new apartment communities that are necessary for the County to keep pace with the expected demand for housing. If adopted, the HOME Act will reduce property tax revenues and encourage investment in housing projects in neighboring jurisdictions over Montgomery County.

Bill No. 15-23 (Anti Rent Gouging Protections Act)

Oakwood is concerned with any rent control measures being adopted as such a policy will constrain its ability to obtain financing necessary to support the creation of regulated affordable senior housing as part of future phases at the Property. While the Anti Rent Gouging Protections Act establishes a more market-responsive annual rent increase allowance, this policy does not fully take into account projects that have committed to a higher proportion of regulated affordable units. An annual rent increase allowance of 8% plus the CPI-U index may be sufficient to finance and operate a project with 12.5-15% regulated affordable units, but it can disrupt and frustrate the financial viability of projects like Churchill Senior Living that include a substantial number of affordable units above and beyond the minimum required by Chapter 25A of the County Code. In these instances, a property owner is only able to underwrite increased, substantial affordable housing where they retain the control to establish market rents for a longer period of time than 15 years from occupancy. In order to ensure that the Anti Rent Gouging Protections Act does not preclude future phases of regulated affordable housing at Churchill Senior Living (and other projects that provide significant affordable housing), Oakwood respectfully requests that **Section 29-59 of the Anti Rent Protections Gouging Act be modified to exempt any market rate unit that has been offered for rent for less than 30 years where the project includes a minimum of 30% of the dwelling units subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low- and moderate-income tenants.**

Thank you for the opportunity to submit these comments to the HOME Act and Anti Rent Gouging Act. Oakwood looks forward to the opportunity to continue to work with the Council and its staff to ensure that the prevailing County housing policies support and promote the creation of affordable senior housing.

Very truly yours,



Joseph F. Parreco
Oakwood Properties, Inc.
President

cc: Matthew Parreco, Churchill Senior Housing